



Performance Audit Recommended Practices Would Strengthen Hotline Operations

August 2016



9-2016

Office of the City Auditor

City of Kansas City, Missouri

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August 31, 2016

Honorable Mayor and Members of the City Council:

This audit of the hotline focuses on the extent to which the city has incorporated recommended practices into its hotline activities. The city does not follow many hotline recommended practices.

The city's contract with its hotline intake vendor incorporates many recommended practices. We tested the call intake process and found the vendor handled calls appropriately. The city, however, did not consistently update information for the vendor to pass on to callers or periodically test the call intake process to ensure proper operations.

Although the city's hotline has operated since 1999, there are not policies and procedures to guide hotline operations. Written policies and procedures provide consistency and continuity as staff assignments shift and employees come and go.

The city has not consistently explained and promoted the hotline or made the hotline number easy to find. About one third of employees recently reported that they did not know there was a hotline and more than 40 percent did not know how to find the hotline phone number.

Hotline investigations can take too long and are not thorough. Not all employees assigned to investigate hotline cases have been trained on how to conduct investigations and even an employee who had been trained did not conduct an accurate or complete investigation.

The city does not consolidate, analyze, or report information from the hotline and other related sources. Hotline information can be used to identify trends, trouble spots, and opportunities for improvement or correction. Public reporting of summary statistics and outcomes demonstrates management's support for and promotion of the city's hotline.

We make recommendations to strengthen the city's hotline program. Incorporating more recommended practices should improve communications with hotline callers; demonstrate management's commitment and support of the city's ethical environment; promote consistency and continuity in hotline operations; and increase the quality and timeliness of hotline investigations.

The draft report was sent to the city manager on July 28, 2016. His response is appended. We would like to thank city staff for their assistance and cooperation during this audit. The audit team for this project was Joyce Patton and Nancy Hunt.

A handwritten signature in blue ink, appearing to read "Douglas Jones", with a stylized, cursive script.

Douglas Jones
City Auditor

Recommended Practices Would Strengthen Hotline Operations

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Recommended Practices Would Strengthen Hotline Operations

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Introduction

Objectives

We conducted this audit of the city's hotline under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides "findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability."¹

This report is designed to answer the following question:

- Is the city following recommended practices in operating its hotline?

Scope and Methodology

Our review focuses on the operation of the city's hotline. Our audit methods included:

- Interviewing the hotline administrator and city staff to learn how hotline allegations are handled.
- Reviewing professional literature to identify recommended hotline practices to compare with city practices.
- Reviewing a sample of hotline investigation files to compare how the city handled investigations to recommended practices.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

- Making test calls to the hotline to compare the contractor's handling of hotline calls to recommended practices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

Background

Hotlines can be an effective tool against fraud and other types of misconduct when used in an effective ethics program. According to the Association of Certified Fraud Examiners (ACFE), hotline tips identify nearly half of the frauds in government. The ACFE also reports organizations with a hotline detect frauds earlier and suffer much smaller losses from them than organizations without hotlines.

The city established the municipal hotline in 1999 as a result of a 1997 Red Flag Commission recommendation² and the 1999 Report of the Council Ethics/Relations Committee.³ By calling (800) 340-3132, individuals may anonymously report “suspected abuse and wrongdoing by officials or employees and those doing business with the city.”⁴ The city contracts with NAVEX to operate the hotline’s intake activities. Investigations and responses to hotline allegations are handled by city staff. (See Exhibit 1.)

Most recently the city’s acting internal auditor has been responsible for administering the city’s hotline. The internal auditor position was created at the recommendation of the Red Flag Commission to monitor contracting and internal control compliance. The internal auditor is hired by and reports to the city manager. The internal auditor is separate from and unrelated to the city auditor who is appointed by and reports to the City Council.

² The Red Flag Commission was established to examine the city’s contract processes, procedures, and monitoring in light of a wave of public corruption prosecutions involving elected city officials.

³ *Report of the Council Ethics/Relations Committee*, Office of the City Council, Kansas City, Missouri, February 1999, p 17.

⁴ Code of Ordinances, Kansas City, Missouri, Sec. 2-2080.

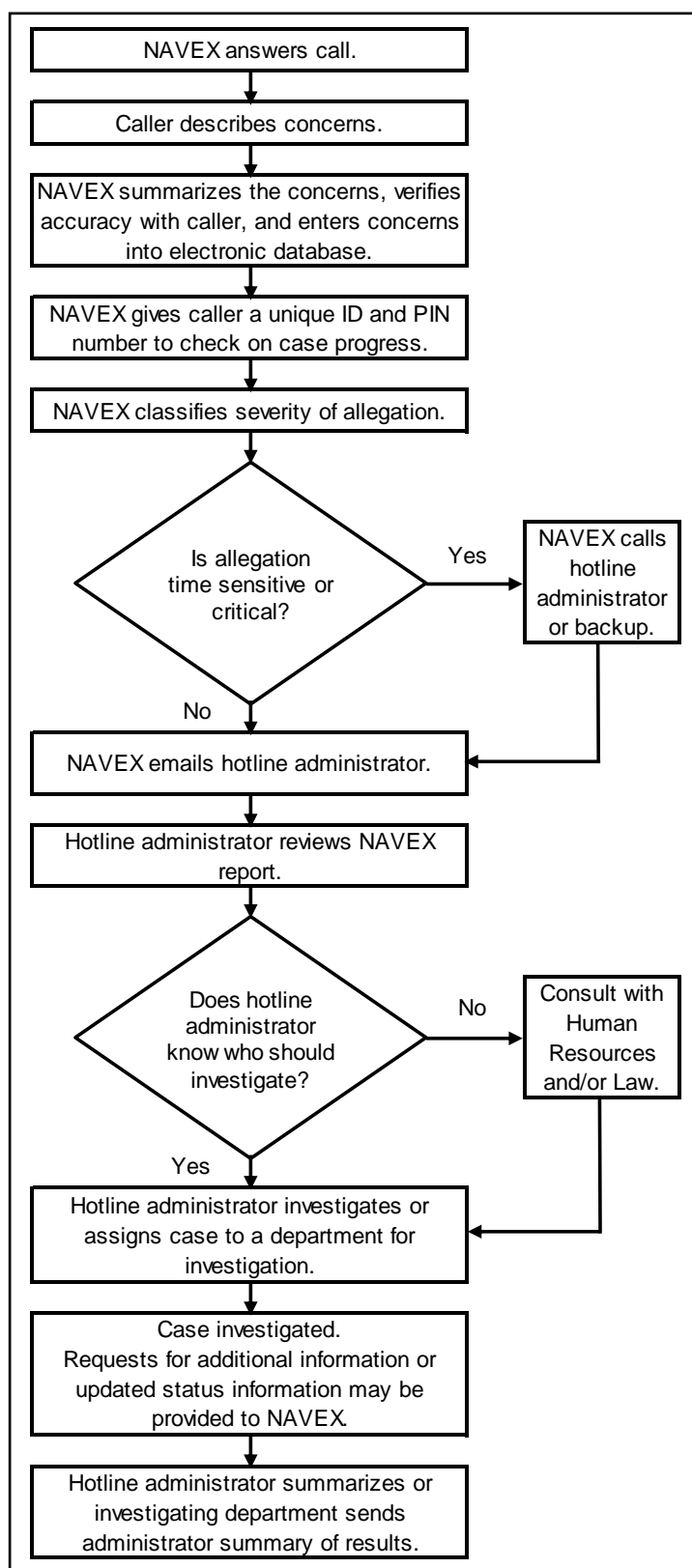


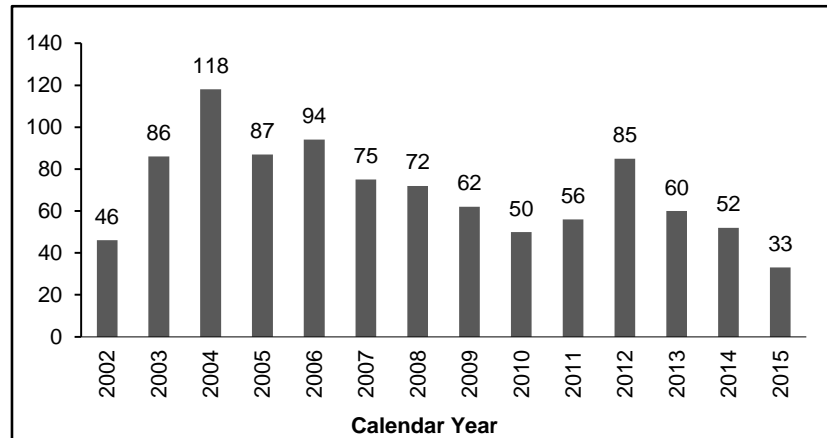
Exhibit 1. How Hotline Calls Are Typically Processed

Recommend Practices Would Strengthen Hotline Operations

Source: Interview with Acting Internal Auditor/Acting Hotline Administrator.

The number of hotline calls the city receives is declining. Since 2004 the number of calls has declined from a high of 118 calls during 2004 to a low of 33 calls in 2015. (See Exhibit 2.)

Exhibit 2. Number of Hotline Calls



Source: NAVEX Reports.

Findings and Recommendations

Summary

The city's hotline program could be strengthened by incorporating more recommended practices. The city's contract with the hotline vendor contains provisions that follow recommended practices. The city, however, does not periodically test the intake process to ensure the contractor is properly handling callers and call information, or consistently update information in the contractor's database to keep hotline callers informed about the status of their case.

Although the hotline has operated since 1999, the city has not developed policies and procedures to guide and provide consistency and continuity in hotline operations. The responsibility for the hotline should be permanently assigned to an individual who can has the appropriate skills and time to oversee the city's hotline.

The city needs to explain and promote the hotline. About one third of city employees do not know there is a hotline and more than 40 percent do not know how to find the hotline phone number. The hotline and hotline number need to be promoted. Hotline processes need to be explained to potential hotline callers and the hotline number should be easy to find.

The quality of hotline investigations needs improvement. Investigations can take too long and are not thorough. Not all staff assigned to investigate hotline cases are trained investigators. When callers believe investigations are not handled properly, word gets around, making others less likely to report problems to the hotline. Hotline cases should be investigated by trained investigators.

Information and data from the hotline and other sources should be analyzed and reported. The city does not consolidate, analyze, or report information and data on hotline activities. Using information to identify trends and trouble spots could help identify opportunities for improvement or correction. Publicly reporting summary statistics and outcomes is an additional opportunity to demonstrate management's support for and promotion of the city's hotline.

Call Intake Follows Recommended Practices; City Should Update Status and Test Call Intake

The city's contract with the hotline vendor contained provisions that follow recommended practices. The city, however, needs to more consistently update case status information to keep callers informed about their cases and should periodically test hotline intake processes. (See Exhibit 3.)

Exhibit 3. Recommended Practices: Call Intake Process

Recommended Practice	Implemented?
Accepts calls 24/7	Yes
Trained call-takers	Yes
Asks appropriate questions	Yes
Correctly summarizes caller concerns	Yes
Passes case to city timely	Yes
Accepts calls from all sources	Yes
Protect the anonymity of callers	Yes
Caller may check on status or provide additional information	Yes
City tests call intake periodically	No

Call Intake Process Follows Recommended Practices

The city incorporated many recommended practices for taking hotline calls in its contract with the city's call intake provider (NAVEX), and we found the contractor was following them. We tested NAVEX's performance by calling the hotline to report an actual complaint or concern that we had heard from an employee or city resident. We determined that NAVEX handles calls appropriately. Calls are accepted around the clock. A trained call-taker interviews the caller, asking appropriate questions; correctly summarizes the reported problems; and passes the case along to city staff in a timely manner. The call-taker accepts calls from employees and others such as contractors, businesses, and the public. Callers, including those who wish to remain anonymous, are provided with a method to check on the status of their case or provide additional information.

City Should Provide NAVEX with Updated Case Information

Although NAVEX has the ability to update callers on the status of their case and ask anonymous callers for additional information, the city does not always provide NAVEX with the information necessary to perform these activities. Establishing a method for on-going communications with anonymous callers in order to obtain additional information and

providing callers with information on case progress are recommended practices.

At the end of the initial hotline call, the NAVEX call-taker gives each caller a unique case and PIN number and tells them to call back in two weeks to check on the status of their case. About a third of the 33 hotline callers in 2015 phoned NAVEX to check on their case. Although some NAVEX notes reflected a request for additional information or directed the caller to call the Human Resources Department (although no specific individual or phone number was provided), about a fifth of the cases did not have any updated information.

Individuals may not report potential problems to the hotline if they think the city has been unresponsive to their concerns. In one case, the caller phoned NAVEX 8 times over a 12-week period to check on the status of the case but there was never any updated information. The case record showed the caller did not call the hotline anymore after this period. Updating information in the hotline vendor's database that can be shared with the caller demonstrates concrete actions the city is taking to address reported problems.

In order to demonstrate the city's commitment to addressing hotline allegations, the city manager should ensure that NAVEX case information is updated.

City Should Periodically Test Call Intake

Although we tested the NAVEX call intake processes and found them to be appropriate, the acting internal auditor had not tested these processes. According to recommended practices, call intake processes should be periodically tested to ensure calls are properly handled and classified properly.

Testing hotline intake helps ensure that callers are treated properly and information is recorded accurately and passed on to the city timely. To ensure that the hotline intake is operating as the city intends, the city manager should periodically test how the contractor handles calls and records case information.

Policies and Procedures Should Be Established, Hotline Administrator Designated

The city has not developed written policies and procedures to guide the operations of its hotline. The program would also benefit from the appointment of a permanent hotline administrator. (See Exhibit 4.)

Exhibit 4. Recommended Practices: Policies and Responsibilities

Recommended Practice	Implemented?
Written hotline policies and procedures	No
Designated hotline administrator	Partially

City Needs Written Hotline Policies and Procedures

The city does not have written policies and procedures for the hotline. According to recommended practices, an organization should have written hotline policies and procedures to guide program operations. Guidance should establish responsibilities within the process including identifying who will manage the hotline and investigate cases; methods for receiving, saving, and securing case information; timeframes for investigations; and methods for communicating with callers, tracking investigations, and reporting outcomes. The city's established caller protections such as being able to remain anonymous and whistle blower protection should also be incorporated into the hotline policies. Written procedures establish consistent expectations for the handling of hotline cases and continuity by providing written guidance as personnel with hotline responsibilities move on.

To promote consistency and continuity in hotline operations, the city manager should develop written policies and procedures for the city's hotline program that incorporate recommended hotline practices.

Permanent Hotline Administrator Should Be Designated

The city's hotline program has been operating under an acting internal auditor/acting hotline administrator since the previous internal auditor was reassigned in 2013. The recent appointment of the acting internal auditor/acting hotline administrator to a department directorship has added significant responsibilities for this individual which will decrease his available time to oversee the hotline.

The hotline can be an important internal control, offering the opportunity for the early identification and correction of problems. Recommended practices suggest that the hotline administrator report to the highest level

of management and, for the majority of organizations, this position is part of the legal or internal audit functions.

Careful consideration should be given in designating a hotline administrator, ensuring the designee has the skills and time to devote to managing the hotline. To ensure that the hotline is managed effectively, the city manager should designate a permanent hotline administrator with the appropriate skills and time to oversee the city's hotline.

Explain and Promote the Hotline

The city has not consistently explained and positively promoted the hotline. Although the hotline number is on the city's website, it is not easy to find and has not been promoted. (See Exhibit 5.)

Exhibit 5. Recommended Practices: Explaining and Promoting the Hotline

Recommended Practice	Implemented?
Explain and positively promote the hotline	Partially
Establish hotline user protections	Yes
Encourage reporting of all concerns	No
Easy to find hotline number	No
Repeatedly promote the hotline number	No

Hotline Should Be Explained and Promoted

The city has not frequently or effectively promoted the hotline. While new employee orientation and new supervisor training contain hotline information, the last information about the hotline process that was available to all employees was in a July 2011 employee newsletter article. One third of city employees do not know there is a hotline.⁵ Some employees also confuse 311, the phone number to use when requesting or reporting a problem with a city service, with the hotline.

The city has not been effective in addressing potential users' concerns. Although city code offers whistleblower protection to anyone who reports suspected abuse or wrongdoing in good faith,⁶ over 30 percent of employees recently reported that they feared being retaliated against should they call the hotline to report a potential problem.⁷ Some staff

⁵ *Listening to the Workforce – 2016 Employee Ethics Survey*, Office of the City Auditor, Kansas City, Missouri, April 2016, p. 4.

⁶ Code of Ordinances, Kansas City, Missouri, Sec. 2-2082.

⁷ *Listening to the Workforce – 2016 Employee Ethics Survey*, p. 5.

also told us they were reluctant to call the hotline because they did not think their identity would remain anonymous and expressed concerns about who they thought would be conducting the investigation.

Potential Hotline Users' Concerns

Potential hotline users may be hesitant to call the hotline because they do not understand the hotline process. Hotline participation may be increased by explaining how the hotline works and addressing potential concerns. Typical concerns that should be addressed include:

Who may call the hotline?
Who answers the hotline?
Who will investigate the issues I report?
Is my call really anonymous?
Will I be retaliated against for calling the hotline?

Source: Ryan C. Hubbs, "When No One Calls: Understanding Why Hotline Reporting Programs Fail," Association of Local Government Auditors National Conference, May 24, 2016.

According to recommended practices, publicizing and explaining the hotline to potential users can provide necessary information on how and where to report concerns; address issues that have prevented potential users from calling the hotline; and demonstrates management's support for the hotline and hotline users. City code also requires that the city manager advertise the hotline to promote the reporting of suspected abuse and wrongdoing.⁸

While the city's limited hotline publicity efforts have targeted employees, the city has not done much lately to publicize the hotline to others. Allowing other individuals such as vendors, contractors, and the public to report issues to the hotline is a recommended practice. Individuals outside of an organization can bring a different perspective and knowledge about different types of problems. But to take advantage of these additional eyes and ears, those outside of the organization need to know that the hotline is available and how to use it. Targeting some hotline publicity efforts toward these groups could broaden the number of potential hotline users who could help identify problems in city-related activities.

Potential callers cannot call the hotline if they do not know it exists and may be reluctant to call the hotline if they do not understand how the process is supposed to work or what protections the city has established.

⁸ Code of Ordinances, Kansas City, Missouri, Sec. 2-2080(a).

Publicizing and explaining the hotline encourages use of and demonstrates management's support for the hotline. In order to strengthen the city's ethical environment, the city manager should explain and promote the hotline to potential users.

Hotline Number Should Be Easy to Find

The hotline phone number is not easy to find. More than 40 percent of employees reported not knowing how to find the hotline phone number.⁹ Recommended practices suggest that the hotline number be on an organization's home page. The word "hotline" does not appear on the city's home page. Although the hotline number can be found by clicking on a small "Contact" link on the bottom of the home page, the link gives no indication that it will take the viewer to the hotline number.

Searching for 'hotline' in the search bar on the home page of the city's website produces several results and clicking on the 'Internal Auditor's Office and Ethics Hotline' link takes a viewer to the internal auditor's webpage. The hotline number and information are not readily visible and a viewer needs to scroll down the page to find this information.

When the hotline number is difficult to find, potential users may become frustrated and give up trying to report their concerns. In order to make the hotline number easy for employees and the public to find, the city manager should place the hotline phone number on the home page of the city's website.

Hotline Investigations Need Improvement

The city is not consistently performing timely and thorough hotline investigations. According to recommended practices, investigations should be timely, thorough, and conducted by trained investigators. (See Exhibit 6.)

Exhibit 6. Recommended Practices: Investigations

Recommended Practice	Implemented?
Provide case to investigator promptly	Partially
Timely investigations	No
Thorough investigations	No
Trained investigators	Partially

⁹ *Listening to the Workforce – 2016 Employee Ethics Survey*, p. 4.

Investigations Can Take Too Long

Hotline investigations can take too long to complete. According to recommended practices, hotline investigations should be timely, with information obtained from hotline calls promptly passed to the appropriate individual for investigation and most cases closed within 30 days. The acting hotline administrator reported that cases should be assigned for investigation within one week and investigations completed in one month. Staff assigned to investigate hotline cases, however, have not been told how long they have to investigate a hotline case. We found cases were not always assigned to city staff for investigation within one week and even simple allegations could take months to investigate.

Case closure time is a measure of a hotline's effectiveness. Employees are more likely to call the hotline to report issues when previously reported concerns have been addressed timely. Cases that are open too long can cause employees to question the city's commitment to the hotline and resolving their concerns.

Investigations Are Not Thorough

Departments are not investigating hotline complaints thoroughly. Recommended practices require that investigations be thorough, all involved individuals be interviewed, and all allegations investigated, documented, and resolved. We reviewed three hotline cases and found that none of them were investigated thoroughly.

One hotline case was never investigated as a hotline complaint. The department relied on a grievance hearing that involved some of the same employees, but did not address all of the hotline allegations.

Another hotline investigation was not thorough and produced a case summary that misstated information obtained during the investigation. Interview questions did not clearly reflect the allegations submitted by the hotline caller. Staff assigned to investigate the complaint interviewed the alleged perpetrators before interviewing witnesses missing out on an opportunity to gain a clearer view of events before conducting important interviews. Staff also questioned witnesses in a style that accused the witnesses of improper activities and failed to interview an employee who was identified in an interview as a potential victim.

The third case we reviewed was supported by written interviews and documentation, however, one of the allegations was not addressed. Staff assigned to investigate the complaint also forwarded comments to be added to the NAVEX file used to encourage the caller's participation if

more information was needed. The staff's written summary, while addressing most allegations, did not address a significant IT-related problem identified by the hotline caller.

Trained Investigators Should Conduct Investigations

Most of the employees assigned to investigate hotline complaints are not trained investigators, but department human resources liaisons or management employees who are occasionally asked to investigate hotline cases in addition to handling their normal responsibilities. According to recommended practices, hotline investigations should be conducted by trained professionals who possess the knowledge and skills to conduct investigations.

Although the Human Resources Department has developed a training course for conducting investigations, not all department personnel that are responsible for conducting investigations have taken the training, and, based on our review of investigative materials, even an employee who had attended the training did not conduct a thorough investigation.

Inexperienced or poorly trained investigators can make mistakes that affect the quality of the investigation and the integrity of the hotline process. Errors may be made in gathering and interpreting evidence; failing to identify key information; and not understanding key pieces of information or mitigating factors. Investigators may lack interviewing skills and fail to safeguard information, evidence, and documentation. Investigative errors may result in incorrect conclusions. Wrongdoing may be found where there is none or the investigator may fail to investigate or act on credible information. In addition, the use of department personnel to conduct investigations within their own department may bring in preconceptions about those being investigated and a management bias that could color the investigation.

Inadequate investigations can turn manageable concerns and issues into larger problems. When employees believe investigations are not handled properly, word gets around, making employees less likely to report problems to the hotline.

In order to improve the quality of investigations, the city manager should identify, assign, and adequately train an individual or group of individuals who have the time and skills to conduct objective, thorough, and timely investigations of hotline complaints.

Cases Should Be Analyzed and Results Reported

The city does not consolidate and analyze hotline information to detect trouble spots, identify trends, and identify opportunities for improvement. The city also does not report summarized hotline information which could publically reinforce the city's commitment to the hotline and an ethical environment. (See Exhibit 7.)

Exhibit 7. Recommended Practices: Analyzing and Reporting

Recommended Practice	Implemented
Integrate allegations from all sources	No
Analyze data	No
Identify trends and opportunities for improvement	No
Report hotline results	No

Hotline Data Should Be Analyzed to Address Problem Areas

The city does not consolidate and analyze hotline data. According to recommended practices, hotline data should be consolidated and analyzed to detect trouble spots and identify trends and opportunities for adjustment and improvement. The first step in analyzing information is the consolidation of information. Although hotline calls received through NAVEX are in the vendor's database, allegations received through 311, the mail, email, or phone calls to management are not. The NAVEX database offers the opportunity to track and analyze hotline data, but the city does not enter cases received through different channels, consistently update case information, or analyze hotline data.

Information from hotline calls such as the number of calls received, number of calls substantiated, average number of days cases are open, and the number of allegations by department or location can be used to identify trends. Outcomes can also be analyzed to ensure corrective or disciplinary actions are consistent in similar situations. When analyzed, hotline information can alert management to things such as a disproportionate number of calls about a single department, an employee, or a group of employees, or specific allegations that are occurring frequently throughout city government.

Hotline Results Should Be Reported Publicly

Although the city provides copies of hotline cases that are classified as time sensitive or critical to the city's external financial auditors, and the city manager receives informal hotline updates, no summary of hotline statistics are compiled or reported. In the 2016 Employee Ethics Survey,

almost as many respondents said those participating in unethical behavior would not be detected and punished (35 percent) as those that said unethical behaviors would be detected and punished (36 percent).¹⁰ Publicly reporting aggregate hotline statistics reinforces management's commitment to the hotline and the organization's ethical environment and demonstrates actions taken while keeping the specific details of each hotline complaint confidential.

To strengthen the management of the hotline and support the city's ethical environment, the city manager should consolidate hotline and hotline-type cases, and analyze and publicly report hotline statistics and summary outcomes annually.

Recommendations

1. The city manager should ensure that NAVEX case information is updated.
2. The city manager should periodically test how the contractor handles calls and records case information.
3. The city manager should develop written policies and procedures for the city's hotline program that incorporate recommended hotline practices.
4. The city manager should designate a permanent hotline administrator with the appropriate skills and time to oversee the city's hotline.
5. The city manager should explain and promote the hotline to potential users.
6. The city manager should place the hotline phone number on the home page of the city's website.
7. The city manager should identify, assign, and adequately train an individual or group of individuals who have the time and skills to conduct objective, thorough, and timely investigations of hotline complaints.

¹⁰ *Listening to the Workforce – 2016 Employee Ethics Survey*, p. 5.

Recommend Practices Would Strengthen Hotline Operations

8. The city manager should consolidate hotline and hotline-type cases, and analyze and publicly report hotline statistics and summary outcomes annually.

Appendix A

City Manager's Response

Recommend Practices Would Strengthen Hotline Operations



Inter-Departmental Communication Office of the City Manager

RECEIVED

AUG 19 2016

CITY AUDITOR'S OFFICE

Date: August 19, 2016

To: Douglas Jones, City Auditor

From: Troy M. Schulte, City Manager

Subject: Response to Performance Audit: Hotline

1. The city manager should ensure that NAVEX case information is updated.

Agree.

2. The city manager should periodically test how the contractor handles calls and records case information.

Agree. This was in the past when the City had a full-time Internal Auditor. This testing will be restarted on a periodic basis.

3. The city manager should develop written policies and procedures for the city's hotline program that incorporate recommended hotline practices.

Agree.

4. The city manager should designate a permanent hotline administrator with the appropriate skills and time to oversee the city's hotline.

Agree. It is my intent to designate an existing staff person to provide this role on a part-time basis. Given current fiscal constraints, I would recommend that the City not create a permanent full-time position to handle this and other internal audit roles. The workload would be reevaluated to determine proper staffing in future years.

5. The city manager should explain and promote the hotline to potential users.

Agree

6. The city manager should place the hotline phone number on the home page of the city's website.

Agree

- 7. The city manager should identify, assign, and adequately train an individual or group of individuals who have the time and skills to conduct objective, thorough, and timely investigations of hotline complaints.**

Agree in part. Additional staff will be trained to identify complaints worthy of further investigation, but I would recommend the use of contract personnel or outside agencies to handle those complaints that merit serious investigation. This allows for independence and the potential for a quicker resolution than we have seen when this function was provided in-house.

- 8. The city manager should consolidate hotline and hotline-type cases, and analyze and publicly report hotline statistics and summary outcomes annually.**

Agree.

cc: Pat Klein, Assistant City Manager
Chris Hernandez, Director of City Communications